

~~SECRET~~
~~CONTROLED DISSEM~~

NIE 20-1-69
4 December 1969

NATIONAL INTELLIGENCE ESTIMATE

NUMBER 20-1-69

Europe, the US, and the USSR

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL

Submitted by

Richard Blum

DIRECTOR OF CENTRAL INTELLIGENCE

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

As indicated overleaf

4 December 1969

Authenticated:

James S. Lay Jr.
EXECUTIVE SECRETARY, USIB

~~SECRET~~
~~CONTROLED DISSEM~~

No. 210

~~SECRET~~

The following intelligence organizations participated in the preparation of this estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA.

Concurring:

Dr. R. J. Smith, for the Deputy Director, Central Intelligence

Mr. Thomas L. Hughes, the Director of Intelligence and Research, Department of State

Lt. Gen. Joseph F. Carroll, the Director, Defense Intelligence Agency

Lt. Gen. Marshall S. Carter, the Director, National Security Agency

Mr. Charles A. Sommer, for the Assistant General Manager, Atomic Energy Commission

Abstaining:

Mr. William O. Cregar, for the Assistant Director, Federal Bureau of Investigation, the subject being outside of his jurisdiction.

~~WARNING~~

~~This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited.~~



~~SECRET~~

This document has been
approved for release through
the HISTORICAL REVIEW PROGRAM of
the Central Intelligence Agency.

Date 2/24/94

HRP 94-3

CONTENTS

	<i>Page</i>
NOTE	1
DISCUSSION	1
I. THE STATE OF WESTERN EUROPE	1
A. Material Success and Psychological Unrest	1
B. National Policies and Preoccupations	3
France	3
The UK	4
West Germany	5
C. European Integration: Status, Prospects, Implications	6
II. WESTERN EUROPE AND THE US	7
A. The Political Relationship	7
B. The Economic Relationship	9
C. The Security Relationship	10
III. EUROPE AND THE USSR	11
A. Soviet Policy and Objectives	12
B. The Situation in Eastern Europe	13
Popular Attitudes and Leadership Problems	13
The Outlook for Political Change	14
The Outlook for East-West Trade	15
IV. CONCLUSIONS AND CONTINGENCIES	16

~~SECRET~~

SECRET

EUROPE, THE US, AND THE USSR

NOTE

As the title suggests, this estimate deals with broad trends in Europe and in European attitudes toward the two super powers. It is not a survey of all intra-European relationships. The estimate covers a four to five-year period. Its principal conclusions are found in paragraphs 50-54.

DISCUSSION

1. Europe, which was the original scene of the "cold war," has since about 1962 achieved a rather considerable political stability, both in terms of domestic politics and state relations. But during the past year or two a number of events have occurred which have raised the question of whether new forces may be operating on the European scene. Among these events were the riots and strikes in France in May and June 1968 and the subsequent resignation of de Gaulle, Socialist leadership of a West German government for the first time, a rising social malaise in Italy, and—perhaps most significant of all—the events in Czechoslovakia which culminated in the Soviet invasion. These events raise questions, not only about the continued applicability and durability of such institutional arrangements as NATO and the Warsaw Pact, but also about the possibility of changes which might challenge the basic assumptions underlying the policies of the major powers.

I. THE STATE OF WESTERN EUROPE

A. Material Success and Psychological Unrest

2. Western Europe today is more prosperous, more democratic, and more secure than at any time in modern history. In the past two decades its economic performance—the UK excepted—has surpassed most forecasts, and national prosperity is more pervasive than ever before. Indeed, the economic systems of the major countries are so alike and so interdependent that the differences of detail are less striking than the fundamental similarities: all are mixed economies which are to a greater or lesser extent welfare states grafted upon a base neither wholly "capitalist" nor wholly "socialist." As a consequence, many

SECRET

~~SECRET~~

of the economic arguments which formerly distinguished Left from Right have become blurred. Both now largely accept the mixed economy and each merely claims to be able to manage it better than the other. Nevertheless, prosperity and technological advance have not eroded all the old antagonisms and have helped to create others, including the generation gap.

3. In the past decade, the pace and extent of economic and social change throughout Western Europe have accelerated. An educational system designed for an elite of gentlemen is slowly being supplanted by one intended for a mass of technocrats and bureaucrats. Thousands of small and medium-sized businesses have been absorbed by larger enterprises. The percentage of the labor force engaged in agriculture has appreciably declined and will decline still further. This evolution in social structure and economic organization has been only imperfectly reflected in the political system. As a result, some states (France, Italy) have suffered serious unrest which could recur. Others (Spain, Portugal) have begun a difficult transition toward a less rigid system.

4. It is possible that extremists would see in these difficulties opportunities either to turn the clock back or to effect a revolution by the extreme left. It is unlikely that radical leftist governments will come to power in the absence of a severe economic depression or a collapse of political authority: most of the workers are interested in a better share of the pie, not revolution; the "new left" is small, fragmented, and isolated; the major Communist parties have as their immediate goal to enter a coalition government, not to destroy the political system. Except in Spain and Portugal, where the extreme right has the capability to stifle political and economic evolution, the radical right is small, if not moribund; it would take a serious social crisis to revive it.

5. Despite economic prosperity and greater internal stability and external security, a sensation of drift and dissatisfaction has arisen in Western Europe. The great political projects which formerly gave a sense of mission to political leaders and a feeling of participation in major undertakings to their followers now seem at best to be utopian or distant: supranational, federal Europe, "Gaullist" Europe, Atlantic "partnership" with the US, German reunification through free elections. In the meantime, the bureaucratic problems of managed economies and the subtle maneuvers of coalition politics arouse either exasperation or boredom, but not enthusiasm.

6. Political leaders are disconcerted by the attacks of intellectuals and middle class students who condemn the "establishment" (in which they include the Communist Party) but who know better how to castigate existing institutions than how to improve them. Neither the "establishment" nor its attackers seem able to galvanize mass or elite support for a cause or a goal; both are frustrated and uneasy. The depth of frustration was demonstrated in Paris in May 1968 and in various acts of violence in Italy during 1969. The trend toward violence and demonstrations, which for the most part is neither influenced nor condoned by the parties of the left, raises difficult questions about the

~~SECRET~~

character and direction of modern political (or quasi-political) activity and their relevance to existing constitutional structures. How these phenomena will affect foreign policy and international relations is not easy to foresee. There does seem to be emerging, however, a growing belief, particularly among younger people, that the established ideologies, the traditional patterns of political activity, and the historic rivalries among nations are obsolete, artificial, and irrelevant to the real concerns of the individual and the major goals of society. This is not to say that these ideologies, patterns, and rivalries are about to be swept away; all may well survive, but they will be foci of contest and challenge.

B. National Policies and Preoccupations: France, the UK, Germany

7. *France.* De Gaulle possessed a vision of a new mission for a Europe united behind French leadership. He dreamed of a "European Europe," a confederation of nation-states led by France, excluding the UK, independent of the US and the USSR, able to resist the "hegemonies" of both, and at the same time capable of restraining and containing Germany. He was able to block UK entry into the European Community, but he was unable to rally other European states behind his vision of Europe's future or to convince the US or the USSR to accept France's pretensions to great power status. In these basic respects, French foreign policy, at least during de Gaulle's tenure, thus fell well short of achieving his major objectives.

8. Nevertheless, his successor probably agrees with the principles which informed that policy, although he will be less abrasive in attempting to apply it and more open to compromise on secondary issues. France after de Gaulle will continue to be jealous of its sovereignty and anxious to demonstrate that it has not become a docile member of the "Anglo-Saxon camp." This consideration precludes the return of France to NATO's integrated military structure. The *force de dissuasion*, begun under the Fourth Republic, is at once the most visible hallmark of French sovereignty and France's most tangible claim to great power status. The composition of this strategic nuclear force may be altered and its completion delayed, but it will neither be scrapped nor integrated in such a manner as to diminish French control over it. Any US or "European" proposal which might give Germany the possibility of participating as an equal nuclear partner would precipitate a strong French reaction. The German "problem" will remain the focus of French policy in Europe, and France will continue to support the concept of a Four Power responsibility for its solution, or better, its containment. France thus will be suspicious and resentful of US-USSR negotiations or German-Soviet talks; at the same time, France will remain jealous of its special relationship with West Germany which it sees as a means of aligning German policy with French policy to the greatest extent possible.

9. Opposition to enlargement of the European Community is the single most important position taken by de Gaulle which his successor probably

~~SECRET~~

~~SECRET~~

will discard. The French have agreed to the opening of negotiations on the British and other applications, but they are also putting pressure on their partners to adopt the agricultural and other policies scheduled to be completed before the end of the transitional period (January 1970). The French aim is to oblige the British and other applicants for membership to choose entry into a Community which they would have difficulty modifying to the detriment of French agricultural and other interests. It is highly improbable, moreover, that France would agree to accept Community regulations and greater Commission authority which would inhibit French diplomatic and commercial independence vis-à-vis the Soviet Union and Eastern Europe.

10. *The UK.* For most of the postwar period, the UK has sought to play a multiple role as junior partner and principal advisor to the US, as the interpreter of Western Europe to the US and of the US to Western Europe, and as the spokesman of a multiracial commonwealth with global interests. The recurrent weakness of the British economy has made it impossible for the UK to sustain the varied and often contradictory positions inherent in these roles. British political influence in the Commonwealth countries that count in world affairs has steadily declined and probably will decline still further. The "special relationship" with the US has lost much of its psychological hold and in any case no longer confers upon the UK any indispensable benefits. Finally, the French drive to exclude the UK from continental Western Europe forced the British to decide which of their roles would serve their interests best. Prime Minister Macmillan chose the European option in 1961 and Prime Minister Wilson confirmed this choice in 1966.

11. The British government is persuaded that entry into a European Community offers the UK its best chance to play a significant role in world affairs in the future. In submitting their application, the British declared their acceptance of the Treaty of Rome and, by implication, its tacit political goals. But the official British attitude toward a politically united Europe is still ambivalent. Both Macmillan and Wilson have explicitly rejected supranationalism. There is scant evidence that a majority of British politicians or the British public has undergone conversion to the Monnet vision of a federal Europe. Indeed, objections from special interests to the short-term economic costs have become shriller as the possibility of entry has come closer. Nevertheless, the leaders of all British parties feel that they have no realistic alternative: they probably will accept full membership if they can obtain satisfactory transitional terms in such areas as agricultural policy and Commonwealth preferences.

12. To obtain those concessions, the British require the continued support of West Germany. The British in years past so eagerly pursued any glimmer of détente with the Soviet Union that they often appeared to be willing to disregard essential German interests. More recently, the British have become noticeably firmer on preserving allied (and West German) rights in Berlin. UK caution on the German "problem" and sensitivity to West German views are likely to continue so long as entry into a European Community remains a major goal of British foreign policy.

~~SECRET~~

13. *West Germany.* German foreign policy has largely achieved two of its principal postwar objectives: despite lingering but latent resentment in Western Europe over the Second World War and recent but growing uneasiness over German economic power, Germany is a respected and trusted member of the Atlantic Community; despite occasional misgivings in Germany over Allied willingness to conciliate the Soviets at German expense, West German security so far has been assured. In contrast, reunification of the two Germanies remains as elusive and as remote as ever. The efforts to preserve a sound political and security relationship with its Western partners, and at the same time to effect a real improvement in relations with East Germany, will present West German diplomacy with its most severe tests in coming years.

14. The Adenauer policy of subordinating reunification to reliance on US power and West European integration, and the Grand Coalition policy of attempting to put pressure on East Germany and the USSR through a venturesome policy in Eastern Europe, are now seen as inadequate. Moreover, the attitude of the West German public toward East Germany seems to have undergone a profound change in the past several years; it is now at least tacitly acknowledged by most Germans that East Germany will not dissolve, or be allowed by the Soviets to dissolve, into a united Germany run by a regime similar to that of the Federal Republic. The West German government, while continuing an *Ostpolitik* more attuned to Soviet sensitivities and East European realities, probably will put primary emphasis on direct and parallel negotiations with the USSR, East Germany, and Poland on a wide range of specific issues. Provided the USSR, after considering East German interests, continues to encourage these efforts, Bonn may become less inclined to defer to Western interests and views. This could lead to some disagreement and discord between West Germany on the one hand, and its allies, particularly the US and France on the other, but the West German government will continue to operate within the framework of existing allied structures and agreements.

15. The new *Ostpolitik*, as it applies to East Germany, is a subtle and long-range policy. It is subtle because it assumes—or hopes—that the cumulative effect of agreements on functional problems ultimately will lower the political and human barriers between the two Germanies, and it counts upon the East German regime to cooperate to this end. It is long-range because, even under the best of circumstances, it would be some years before these agreements and other developments would begin to affect the nature of the East German regime or alter its political relationship with the Federal Republic. In its effort to improve relations with its Eastern neighbors, the West German government probably will agree to most East German demands short of *de jure* recognition. But the East German leaders will be wary of agreements that would compromise their authority or loosen their grip on their population. The Soviets, who are opposed to German reunification and who have mixed feelings about East German sovereignty, nevertheless share these concerns. They therefore probably will be receptive to East German arguments that

~~SECRET~~

~~SECRET~~

a genuine normalization of relations between the two Germanies would in the end undermine the Soviet position in Eastern Europe. For its part, the Federal Republic would hesitate to compromise relations with its EEC partners by reneging on past agreements or dragging its heels on proposals to make the Community more cohesive in the future. These considerations place severe limits on the extent of cooperation and intimacy which is likely to evolve between the Federal Republic and the East German regime.

C. European Integration: Status, Prospects, Implications

16. The European Economic Community (EEC) represents a complicated and ambitious attempt by six nations of Western Europe to integrate their economic and commercial policies. Some of its sponsors and supporters also hoped (and still hope) that it would lay the foundation for a federal government capable of recapturing for Western Europe a major role in world affairs. Since the EEC was established on 1 January 1958, its members have abolished tariffs among themselves, agreed upon a uniform system of indirect taxation, and removed most barriers to the free movement of labor. The Six as a group have enjoyed higher rates of economic activity, trade, and growth than before 1958, although these achievements are not entirely due to the existence of the EEC. Intra-Community trade has almost quadrupled. In 1967, Community trade with the outside world exceeded that of the US.

17. Despite these economic achievements, confidence in the future of the Community as a political entity is at a low ebb. There is now less conviction that the "logic" of the EEC will impose integrated policies on the member states and that the very complexity of those policies will require that they ultimately be administered by a supranational authority possessing independent powers of decision. Since de Gaulle left office, it has become evident that the obstacles to the political development of the Community derive from more complex factors than his abhorrence of supranationalism. One of the objectives which closer European cooperation was designed to promote has been accomplished; Europe is prosperous. But this prosperity has also reduced the impetus to extend cooperation into new and uncertain spheres. Defense policy, which might be a Community function, is pre-empted by NATO. National governments beset by social and economic problems are in any case reluctant to take steps which would irritate entrenched domestic lobbies and weaken their own authority. The lessened fear of communist subversion and Soviet military aggression also has given new play to national interests. These developments, among others, have made the need for supranationalism less demonstrable and weakened the impetus behind it.

18. One of the the most pressing problems the Community faces concerns the entry of new members. The French have lifted their political veto on the admission of the UK, but they have contended that the entry of additional members—the UK, Norway, Denmark, Ireland, and possibly others—would make the adoption of common policies more difficult, slow down or even halt

~~SECRET~~

SECRET

further progress toward economic integration, and transform the Community into little more than a regional trading bloc. It is difficult to challenge the logic of this argument, at least over the short term. On the other hand, and with varying degrees of enthusiasm or conviction, France's five partners have argued that a European Community was not meant to be restricted to six members and that Western Europe without the UK could never be independent of the US or equal to it. This argument is equally difficult to challenge: the UK would contribute significantly to the economic resources, military strength, and political influence necessary to make the European Community at least potentially equivalent in power to the US.

19. Some compromise between these two conflicting views probably will be made; many people in Western Europe, including many in France, still have an emotional and political investment in the idea of a "united" Europe. In an increasingly bureaucratic and technological world, it remains one of the few political concepts still capable of generating enthusiasm and commitment. It is thus unlikely that the Community will stagnate indefinitely or that it will dissolve. Community efforts to increase and perfect intra-European cooperation will continue and expand, although the necessary compromises will probably dismay doctrinaire defenders of the Treaty of Rome. If they persist, the UK and perhaps other nations will enter a European Community. But for a long time to come this Community is likely to resemble the confederation de Gaulle had in mind more than the supranational government envisaged by Monnet.

20. Moreover, a larger Community—however organized—would inherit some of the problems now bedeviling the nation-states. Much of its energy would be absorbed by difficulties of internal organization and administration. The Commission or a similar executive authority would be preoccupied with establishing its authority and reputation for equitable dealing among its competing national and regional constituents. It is probable that such a Community would have little inclination or interest in adding to its "domestic" problems by adopting "outward-looking" policies or by taxing its heterogeneous populations to pay for greater defense appropriations. The member nations on occasion may find it easier to combine against the US than to agree upon a policy distasteful or harmful to one of their number. But enlarged or not, the European Community will be no more than an economic union for some years to come, with its members pursuing foreign policies based largely upon national interest.

II. WESTERN EUROPE AND THE US

A. The Political Relationship

21. Although the policies of the European states and the pace and extent of integration will be determined by the Europeans themselves, they will also be influenced by the attitudes and policies of the US. For the past 25 years, the

SECRET

~~SECRET~~

US has been the single most important political, economic, and military factor in Western Europe. In these circumstances, periodic tension and strain between the US and various nations over specific issues or general concepts is both natural and unavoidable. The US has been the guarantor of West European security, the principal sponsor of Germany's political rehabilitation, the major source of technological progress, and the mainstay of economic and financial stability. As such, it has been the target of criticism by some but of courtship by all.

22. This is not to say, of course, that the West Europeans have been content to be courtiers. The drive for European unity derived in part from their dissatisfaction with this role, and a widespread receptiveness to Gaullist criticism of some US policies—even in anti-Gaullist circles—reflected this discontent. There is no conceivable US policy which will satisfy all of the allies. They balked at certain US policies when they were economically impoverished, militarily helpless, and domestically unstable; surmounting these hazards has not made them any more amenable. In recent years, moreover, American prestige has declined because of Vietnam, the well-publicized domestic unrest in the US, and the widespread belief among younger members of the political elites that the US and the USSR are collaborators in defense of the status quo. Thus there will be no lack of disputes in the future; the inclusion of neutrals in a European Community, commercial and monetary questions, the recognition of China, and negotiations with the USSR on East-West relations or European security will be among the contentious issues over which the US and one or more of its allies will frequently disagree.

23. The key question is whether disagreements on these matters could reach a degree of intensity likely to damage the present political relationship between the US and Western Europe or cause a paralysis or disintegration of the institutions through which it operates. In many respects, the US and Western Europe already form a "community" based on many shared economic, political, and military interests. Although US weight in the "community" institutions—NATO, the OECD, the IMF and its Group of Ten—is less overwhelming than it was and will become still less in the future, the ties between the US and Western Europe are strong, extensive, and unlikely to disintegrate. On the other hand, the relationship probably will become more delicate and more subject to strain and misunderstanding. Europe's greater economic strength and independence, its reduced sense of danger, and its anticipation of a decline in the US military presence in Europe will all contribute to some attenuation of US political influence. In these circumstances, it will prove to be more difficult than in the past to achieve common, or at least mutually acceptable, policies within NATO and between the US and individual allies on such matters as bilateral US-USSR negotiations. Thus, the US probably will find it increasingly troublesome to satisfy its allies and speak for the West on issues affecting European interests: an era of tougher negotiation and greater compromise *within* the Western Alliance probably has begun.

~~SECRET~~

B. The Economic Relationship

24. Most of Western Europe clearly is in the stage of self-sustained growth and mass consumption characterized by rapid industrial expansion, greater production and wider diffusion of durable consumer goods, and a marked increase in the number of persons possessing or aspiring to a bourgeois standard of living. This economic development so far has been very profitable for American business despite the existence of two preferential trading blocs (EFTA and EEC). Thanks in part to the Dillon and Kennedy Rounds of tariff reductions, the US still enjoys a favorable trade balance with Western Europe. Moreover, American firms were very prompt to increase their investments in Europe in order to avoid having to compete from outside the Common External Tariff and in order to take advantage of the large tariff-free European market. The managerial, technological and capital advantages enjoyed by US firms, long accustomed to planning for a large market, have given them a pronounced lead in important sectors over their European competitors. The estimated value of US direct investment in all of Western Europe rose from less than \$7 billion in 1960 to almost \$18 billion in 1967; the total invested by the US in the EEC countries during the same period rose from about \$2.6 billion to about \$8.4 billion.

25. Much of this investment was made in the advanced technological and innovative industries: electronics, computers, telecommunications, precision equipment, and optics. As a result, US firms and subsidiaries control 80 percent of the computer market in Western Europe, 50 percent of the semiconductor market, 95 percent of the market for integrated circuits. In addition, the remaining European-controlled firms in the advanced, science-oriented industries have become heavily dependent upon American technology: in 1966, Europeans paid US firms about \$1 billion for patents, licenses, royalties, and the use of American industrial procedures.

26. These developments aroused concern in Western Europe over the technological "gap," the brain "drain," and the American "challenge." Behind these slogans lay a fear of loss of control of key sectors of the European economy, especially the most technologically advanced. Influential Europeans expressed the fear that Western Europe was doomed to a position of industrial "helotry" unless steps were taken to resist American penetration of European industry and arrest European technological dependence on the US. The Gaullist national solution failed because obstruction of American investment in France simply led to its diversion to other Common Market countries, thus damaging France's competitive position. Nor could France persuade its EEC partners to adopt a similar restrictive policy; they distrusted de Gaulle's motives and they desired American capital, technology, and management techniques for their own economic development. And a common industrial policy for all of Western Europe is unlikely in the absence of much greater political cohesion than now exists.

27. Over time, several trends will attenuate European concern over the American "challenge." The growth of annual American direct investment in Western

~~SECRET~~

~~SECRET~~

Europe may already have passed its peak. The degree of control exercised by parent firms in the US over their subsidiaries in Europe has narrowed. European managers are increasingly replacing Americans; their role as decision makers should lessen national resentment toward US firms in Western Europe. On the other hand, a nationalist or "European" reaction against these firms almost certainly would occur if the US seriously attempted to make them comply with US antitrust decisions or US regulations on the shipment of strategic materials. A similar reaction could occur if a recession in the US or a change in the fortunes of a parent company led to unemployment in one or more of its European subsidiaries. On balance, however, it is unlikely that the problem of US investment in Europe will prove to be either a major disintegrating factor in US-European relations or a major stimulus to European unity.

C. The Security Relationship

28. NATO has endured for twenty years, not because it meets all the needs of all its members, but rather because it satisfies more of them than any other arrangement conceivable under present circumstances. The Alliance provides security for West Germany against the USSR, while relieving the anxieties Western Europe would have about independent German military power. By engaging US power in defense of Western Europe, the Europeans are able to keep their military budgets low enough to be politically acceptable. The expense to the US of maintaining large numbers of troops in Western Europe is high, but most of the foreign exchange costs are covered by offset payments and US military sales to the Alliance. NATO consultation does not give the Allies a veto over US policy, but it does give them a reciprocal influence on each other's defense and foreign policies (including those of the US) which they might not otherwise possess. These considerations make it likely that the Alliance will maintain its present organizational structure and membership until there is a European "settlement" which not only "solves" the German problem, but also convinces the other West European states that they have nothing to fear from the Soviet Union. The chances for such a settlement in the foreseeable future are, of course, slight.

29. On the other hand, the hopes once held that NATO might develop into something more cohesive than an alliance of sovereign nations or that its members might be able to agree on common policies outside Europe are not likely to be realized. The effort to give NATO a social role through the creation of a Committee on the Challenges of Modern Society has met with a polite response, but it will not materially tighten the already strong bonds between Western Europe and the US. Attempts in the past by France (Algeria), Portugal (Goa and Africa) and the US (Vietnam) to obtain active support for their concerns outside Europe were unsuccessful; there is little reason to suppose that similar attempts will succeed in the future.

30. Hope that West Europeans will contribute more to the common defense effort is probably also unjustified. The percentage of GNP and of the total budget devoted to defense expenditures is lower today than in 1960, and there is little

~~SECRET~~

likelihood, short of an active threat to NATO territory itself, that there will be any political will to increase it. Moreover, Sino-Soviet tension has bolstered the belief in Western Europe that the likelihood of direct Soviet aggression, although latent, has been still further reduced. The combination of static defense budgets and heightened domestic pressure for greater social expenditures will make the offset problem more difficult to resolve in the future, even with some reduction in American troop strength.

31. The nature, extent, timing, and circumstances of any US troop reduction would be of critical importance. But in a general way, minor reductions—if well explained and well managed—could leave European faith in the US nuclear guarantee basically unaffected. On the other hand, a large and abrupt reduction—particularly if it occurred at a time when the political atmosphere in the US was one supporting a broad withdrawal from international commitments—would shake European confidence in the credibility of the American guarantee. A large cutback would also have an unsettling effect upon the ability of the European nations to live in reasonable confidence with each other (and notably with West Germany) as well as with the USSR.

32. In addition, a large cutback might produce renewed interest in a European Defense Community, a European nuclear capability based on the British and French nuclear strike forces, and a European procurement agency. But the obstacles to implementation of such proposals would be formidable. In the end, the West Europeans would be more likely to adapt themselves to whatever degree of protection and support the US was willing to provide than to undertake radical measures, particularly if SACEUR remained an American and if a "tripwire" US force continued to be deployed. In short, they probably would seize upon some comforting rationalization rather than face the domestic unrest certain to be generated by proposals for more taxes for defense and longer terms of military service. Their faith in the US would be weakened and they would tend even more to avoid controversy with the USSR on matters not vital to their interests, but they still probably would not succeed in replacing American power with their own.

III. EUROPE AND THE USSR

33. Dissatisfaction over the division of Europe has been growing in Eastern as well as Western Europe. The feeling is widespread that this division is a vestige of the Cold War which détente and internal developments in Western and Eastern Europe are rendering anachronistic. As noted above, many West Europeans believe that the US and the USSR subordinate European interests to their bilateral relationship and therefore collaborate to perpetuate the status quo in Europe. While preserving NATO and the American nuclear guarantee, West Europeans in the years ahead will continue their attempts to lower the political and economic barriers between East and West. In some cases, this will cause them to disregard American policies or preferences. With more circumspection, and depending upon the situation and the issue, some East European

~~SECRET~~

~~SECRET~~

states will adopt a similar attitude toward the USSR. However, the success of these attempts to attenuate in any fundamental way the division of Europe ultimately depends upon the policies and objectives of the Soviet Union.

A. Soviet Policy and Objectives¹

34. If one were to take Soviet statements at their face value, the objectives of the USSR in Western Europe are apparent and simple. The Soviets want NATO dissolved, the US expelled from the continent, West Germany isolated, and all of Western Europe turned into a larger version of Finland. If these objectives were realized, concern for Soviet reaction would dictate the political life and determine the economic decisions of the countries of Western Europe. The USSR thus would become the major external influence in those countries, and Soviet interests presumably would be more secure than they are under present conditions. This vision surely caresses the dreams of those ideologists and doctrinaire Leninists in Moscow who sometimes act as if they have learned and forgotten nothing from the events of the past twenty years in both Eastern and Western Europe.

35. Of course, the rulers of the Soviet Union cannot explicitly reject this vision. To do so would go against ingrained attitudes. It would also weaken the ideological justification for their oligarchy at home and undermine some of the rationalizations sustaining their dominant position in Eastern Europe. It would not only impair what remains of their influence over Western Communist parties, but also would provide additional evidence to support the contention of the "new left" that the USSR is a conservative state. Consequently, it is natural, convenient, and perhaps essential for the Soviet leaders to be able to claim and occasionally to act as if NATO were "aggressive," West Germany were "revanchist," and the USSR still sought and promoted revolutionary change in Western Europe. So long as the present type of Soviet leader retains power, their conviction that they need to maintain this posture places limits on the extent of Soviet accommodation with the West. The USSR thus will continue to probe for and exploit Western weakness and division whenever possible.

36. While the Soviet leaders remain hostile and suspicious of the West in general and of the US in particular, they appear to perceive that the present situation in Europe is, on balance, satisfactory to Soviet national interests. The political obstacles in Western Europe affecting greater commercial and technical exchange with the Soviet Union are minor; it is Soviet suspicion and economic backwardness, not Western policy, which places effective limits on East-West intercourse. The division of Germany holds both West Germans and East Germans in check. A drawing together of the two Germanies would loosen these restraints. Any substantial reduction in the barriers between East and West would tend to weaken the Soviet position in Europe. And the Soviets may have

¹ See NIE 11-69, "Basic Factors and Main Tendencies in Current Soviet Policy," dated 17 July 1969, ~~SECRET~~.

~~SECRET~~

some apprehension that a large reduction of US power and influence would have a destabilizing effect.

37. To be sure, their increased concern over China makes it less likely that the Soviets will want to raise tensions in Europe. The Soviets possess the initiative in this area of East-West relations since the USSR and its dependent client, East Germany, are the only states both willing and able to foment tension in Central Europe. It is not now in the Soviet interest to do so, since the USSR is still concerned to erase the impression left by Czechoslovakia and apparently desires to explore with the US the possibility of strategic arms control. Nevertheless, these considerations do not oblige the USSR to sacrifice its essential policies in Europe: the continued division of Germany and the maintenance of a Soviet sphere in Eastern Europe. It is highly unlikely that the USSR would be willing to abandon these policies even if its dispute with China were to intensify.

38. For all these reasons, it is unlikely that the Soviets really desire (or expect) radical change in Western Europe. Rather, they seek explicit US recognition of Eastern Europe as their private preserve. From the Soviet point of view, this is the primary objective of a European Security Conference. Until the Soviets feel that at least some of the Western allies are agreeable to arrangements which would advance this objective, they are likely to content themselves with fostering dissension among them over the issues to be discussed, the attitudes to be adopted, and the concessions to be considered. Whether or not a European Security Conference eventually convenes, the Soviets might agree to some minor and reciprocal thinning out of military forces in Central Europe which would lighten their economic burdens without endangering their position in Eastern Europe. It is unlikely that the USSR would agree to any proposals acceptable to the West concerning German reunification or the status of Berlin (which would remain a useful pressure point).

B. The Situation in Eastern Europe

Popular Attitudes and Leadership Problems

39. With the exception of Czechoslovakia, the states of Eastern Europe appear to have achieved a degree of domestic stability greater than ever before in post-war history. This is partly because the Soviets made their point when they invaded Czechoslovakia. But it is more than this. Over the years since 1956 the people and the regimes have arrived at an understanding, a compromise of sorts: the regimes will for the most part avoid terror and will pay some heed to consumer welfare, and the people will generally behave themselves. The terms of this arrangement vary from state to state; the bargain for the people is better in some than in others. But the principal boon to the citizenry is simply that things could be worse, and indeed once were.

40. Yet stability in Eastern Europe is very much of the surface variety. For one thing, the East Europeans do not share in the prosperity which has swept the West. The economies of most East European states are hobbled by some-

~~SECRET~~

~~SECRET~~

times incompetent leadership, by the political and ideological demands of the Communist system, and by suffocatingly close ties to the economy of the Soviet Union. The second industrial revolution—of organizational techniques and of advanced technology—is passing these countries by. And this is one source of serious discontent, both among middle-level functionaries and among the better educated.

41. There is of course another strong and chronic source of dissatisfaction: the widespread resentment among the people that they are not allowed to participate in their national political processes and the knowledge that their countries' interests are subordinated to those of an alien power, the USSR. Nationalism in Eastern Europe, never completely cowed, is now resurgent. This nationalism is essentially anti-Soviet. The various regimes cope with this in different ways—the Rumanian exploits and encourages it, the Polish represses it—but all must deal with it as an increasingly significant fact of political life.

42. Over the long term, nationalism in Eastern Europe is likely to become increasingly difficult for the Soviets to handle. A new kind of leader may be emerging in Eastern Europe. Until fairly recently, a national Communist was often a liberal Communist, ideologically motivated, and a man who identified independence with democracy. Tito came to this, Nagy and Dubcek followed. But the new breed of nationalists may be pragmatic and authoritarian, in the manner of Ceausescu and Moczar. Such men would pose new and subtle problems for the Soviets. They would maintain a tight central control, in the name of communism and the party, and gain public support through appeals to patriotism. With men of this type, it would be, and is, difficult for Moscow to decide where and when to draw a line, and, equally important, it would not be easy for the Soviets to contemplate the kind of action which might be necessary if such a line, once drawn, were clearly violated.

The Outlook for Political Change

43. It is clear that the USSR faces a complex of political, economic, and ideological problems in Eastern Europe which defy solution. This is so since a "solution" in one area implies a retreat or a defeat in another; no overall resolution of the conflicting concerns of the Soviet Union in Eastern Europe is possible. Thus, national communism may keep the Communist Party in power in Romania, but it also attenuates ideological solidarity with the Soviet Union and revives anti-Russian attitudes in the population. Economic decentralization and an embryonic market economy may reduce popular discontent, but only at the expense of ideological orthodoxy and the primacy of the Party. The primacy of an orthodox party, on the other hand, tends to stifle economic development and breed unrest.

44. These contradictions have convinced many observers that the Soviets are faced with an evolutionary process in Eastern Europe which, ultimately, they are powerless to contain. They therefore argue that Eastern Europe in time could attain about the same degree of independence of Moscow in foreign policy as

~~SECRET~~

Finland now enjoys. Over the long run, assuming the emergence of effective national leadership in Eastern Europe—the Kadar, not the Dubcek, type—and of a more self-confident leadership in the Soviet Union, this analysis may prove to be correct.

45. Within the period of this estimate, any such optimistic forecast almost certainly would be unjustified. Czechoslovakia demonstrated the limits of Soviet tolerance: preservation of the dominant role of the Communist Party, Party control of communications media, no outspoken criticism of the Soviet Union, membership in the Warsaw Pact. It is unlikely that the present Soviet leadership, or their likely heirs, would soften these requirements. Continuing tension with Red China or greater agitation inside the Soviet Union by writers and other intellectuals probably would increase their uneasiness and thereby sharpen their resolve to impose conformity and docility in Eastern Europe. Given the will, there can be little doubt that they would succeed: there is no shortage of neo-Stalinists and opportunists in Eastern Europe prepared to assist them. After all, the diminished role of the Party, permissiveness toward dissent, and the reduction of the Party and State bureaucracy are not mere theoretical concepts devoid of practical and personal effect; they mean the loss of jobs and power. Consequently, radical political change in Eastern Europe probably can succeed only with Soviet support or at least acquiescence.

The Outlook for East-West Trade

46. The USSR seeks more cooperative relations with Western Europe but is suspicious of comparable policies by its client states in Eastern Europe. The Soviets realize that many East Europeans see in East-West détente an opportunity to lessen their economic dependence and ideological subservience to the Soviet Union through closer economic and political ties with individual West European states. Although the USSR retains the ability to impose its will on most of Eastern Europe, the imposition of harsher measures there would harm its relations with Western Europe and aggravate the economic difficulties of the entire Eastern bloc. Consequently, how to pursue détente, increase trade and obtain credits, and at the same time limit or channel similar efforts by Eastern Europe seriously complicates the formulation of Soviet policies toward Europe and the US. The Soviets may see in Warsaw Pact coordination for a European Security Conference an opportunity to establish both the framework and procedures through which they could monitor and control trade and economic relations between Eastern and Western Europe.

47. There are severe restraints on the economic independence of Eastern Europe. The rate of growth since 1966 in East European trade with the members of EEC and EFTA has slowed; in 1968, the unfavorable trade balance of Eastern Europe (excluding the USSR) with these regional groups exceeded \$300 million. The East European share of West European imports of manufactured products actually declined from 2.5 to 2.2 percent between the periods 1957-1959 and 1964-1966. Only East Germany exports more manufactures to Western Europe (excluding West Germany) than it imports. Taken as a whole, Eastern

~~SECRET~~

~~SECRET~~

Europe (including the USSR) is still to some extent an underdeveloped area supplying foodstuffs and raw materials to Western Europe in return for capital equipment.

48. The prospects for any significant improvement in this relationship are slight. The quality of manufactured goods in Eastern Europe is below Western standards, and the sales network for them is rudimentary. A large increase in Eastern agricultural exports is even less likely. The EEC already is burdened by huge surpluses in various products, and the Community has embarked on a protectionist course which severely restricts imports of foodstuffs from non-member countries. Furthermore, the gradual elimination of trading barriers within the two Western economic blocs (EEC and EFTA) has tended to stimulate trade among member nations and leave less scope for external trade. Finally, the East European countries lack a convertible currency, and their trade with one another is planned on a long-term (usually five-year) basis and coordinated with national economic plans. These impediments, plus their political and economic commitments to the Soviet Union, reduce the flexibility with which the East European countries can deal with the West.

49. Consequently, until the East European states substantially modify their economic structures, there can be only a marginal increase in trade with the West through barter deals, "triangular" trade arrangements (East-West-under-developed countries), and schemes for joint manufacture and marketing between East and West European firms. Another factor in trade expansion would be the continued availability of Western credits. At the end of 1968, total outstanding credits obtained from NATO countries amounted to \$3.4 billion, of which \$1.8 billion were for over five years. The repayment burden for these loans places a ceiling on the availability and utility of credits from Western sources and obliges the East Europeans to seek the forms of economic cooperation mentioned above. Under the best of circumstances, the economic division and technological gap between East and West are likely to persist for some years to come. As this disparity becomes increasingly apparent, it will heighten Soviet difficulties in Eastern Europe.

IV. CONCLUSIONS AND CONTINGENCIES

50. Taken together, most of the judgments given above create the picture of a relatively stable continent over the next four to five years. But there are a variety of events and developments which could—and some probably will—distort this picture; a few could fundamentally alter it. No account is taken, for example, of the possibility of a major economic recession. Nor does our analysis take account of possible major changes in the Soviet outlook; the emergence of new leaders in the USSR with quite different tactical or political ideas—although this appears unlikely—would change things substantially. So would the outbreak of large-scale Sino-Soviet military hostilities or a renewal of Arab-Israeli fighting which threatened to involve the great powers. The continuation of US-Soviet competition in other world areas will not necessarily affect develop-

~~SECRET~~

ments in Europe, but an appreciable swing toward the USSR would provoke at least some stock-taking in European governments. Depending upon the particular events and circumstances, such a swing could cause some of the trends noted in this paper to be accelerated, slowed, or even reversed.

51. The restiveness now existing in both Eastern and Western Europe seems unlikely to be stifled. It could manifest itself in a variety of ways and over the longer term provoke significant changes. Much of this restiveness has sprung from the inability or unwillingness of governments to cope with many of the problems of modern life—lagging application of technological change to infrastructure and industrial production, outmoded educational systems, antiquated laws, unresponsive bureaucracies, and the like; for this reason it is elastic, and it could grow rapidly in direct ratio to governmental ineffectiveness. Restiveness could also spring, in West Germany for example, from foreign policy setbacks such as a precipitate US withdrawal or frustration of the *Ostpolitik*. Instability could again arise suddenly in Eastern Europe over changes in leadership or over new efforts by East European states to alter their economic policies or relations with the USSR.

52. Barring such contingencies, the changes which are likely to occur will revolve around problems and activities which are now visible: the West German effort to expand relations with the East, which has little room for maneuver but may have some successes; the movement to strengthen and enlarge the European Economic Community, which will probably result in some progress but cause any enlarged community to be even more absorbed in its own problems than at present; the question of the US presence and influence, which seems likely to decline without, however, substantially reducing West European dependence on the US or encouraging the West Europeans to assume more responsibility for their own security; the problem of nationalist resurgence in Eastern Europe, which may produce some greater economic independence and experimentation, but little political liberalization or basic change in relations with the USSR; the Soviet effort to have its primacy in Eastern Europe legitimized by international agreement, with perhaps some give on matters of atmosphere but no fundamental concessions.

53. Whatever may be the pressure for change, there are strong forces at work to contain that pressure. Despite alienation from government and discontent over the course of European civilization among many intellectuals and students in the West, the great majority simply want to live quietly and better. Despite growing nationalism and severe economic problems in the East, Soviet dominion is backed by force which the Soviet leaders have demonstrated a willingness to use. Despite increased restiveness in both East and West over the economic, political, and military weight of the US and the USSR, these two powers have attained positions which can be attenuated only slowly and with their cooperation. Despite West Germany's economic power and its desire to improve relations with East Germany and the USSR, it has little alternative to continued economic integration with the West and reliance upon American nuclear protection.

~~SECRET~~

~~SECRET~~

54. In sum, while there will be movement, it seems unlikely to be convulsive or to change in any fundamental way the structure of European power, at least during the next four or five years. The evolution which is underway in both parts of Europe will erode the influence of the super powers, it may diminish the social and economic division of Europe, and it may provoke political crises and uncertainty. It seems unlikely, however, to produce revolutionary regimes or a European settlement or, alternatively, to bring the opposing forces into a dangerous confrontation.

CENTRAL INTELLIGENCE AGENCY

DISSEMINATION NOTICE

1. This document was disseminated by the Central Intelligence Agency. This copy is for the information and use of the recipient and of persons under his jurisdiction on a need-to-know basis. Additional essential dissemination may be authorized by the following officials within their respective departments:

- a. Director of Intelligence and Research, for the Department of State
- b. Director, Defense Intelligence Agency, for the Office of the Secretary of Defense and the organization of the Joint Chiefs of Staff
- c. Assistant Chief of Staff for Intelligence, Department of the Army, for the Department of the Army
- d. Assistant Chief of Naval Operations (Intelligence), for the Department of the Navy
- e. Assistant Chief of Staff, Intelligence, USAF, for the Department of the Air Force
- f. Director of Intelligence, AEC, for the Atomic Energy Commission
- g. Assistant Director, FBI, for the Federal Bureau of Investigation
- h. Director of NSA, for the National Security Agency
- i. Director of Central Reference Service, CIA, for any other Department or Agency

2. This document may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Central Reference Service, CIA.

3. When this document is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the document should either be destroyed, returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this document when used separately from the text should be classified: TOP SECRET

DISTRIBUTION:

White House
National Security Council
Department of State
Department of Defense
Atomic Energy Commission
Federal Bureau of Investigation

~~SECRET~~
~~CONTROLLED DISSEM~~

~~SECRET~~
~~CONTROLLED DISSEM~~